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TAGS: AORG, OCON, UNESCO

SUBJECT: 95 EXBD: ITEM 5.1: UNESCO 1975-76 BIENNIUM

BUDGET

REF: PARIS 22004

SUMMARY: DUE IMPACT OF DECREASED DOLLAR-FRANC EXCHANGE

RATE AND ESPECIALLY ESCALATING INFLATION UNESCO 18 C/5

BUDGET PROPOSAL NOW IN EXCESS OF \$170 MILLION. WITH

EXCEPTION OF FRG, NONE OF GENEVA GROUP PREPARED TO BACK

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US INSISTENCE ON \$155 MILLION BUDGET AND SEEM LIKELY TO

ACCEPT BUDGET AT OR NEAR \$165 MILLION AS REAL ECONOMY COMPROMISE DUE DOLLAR FLUCTUATION AND ESPECIALLY INFLATION. EXECUTIVE BOARD WORKING GROUP, DUE BOTH ITS LDC PARTICIPANTS AND SECRETARIAT STANCE, LIKELY TO PRODUCE BUDGET PROPOSAL BY SEPT 27 THAT ONLY SLIGHTLY UNDER REVISED 18 C/5 HIGH. PERMDEL WILL NEED DEPARTMENT'S COMMENTS SOONEST RE ANY POSSIBLE FURTHER US FLEXIBILITY I.E. GOING TO FIGURE AT OR NEAR \$165 MILLION IN VIEW LIKELY VOTE AT EXBD NEXT WEEK.

1. UNESCO GENEVA GROUP MET SEPTEMBER 25 FOR FURTHER DISCUSSION RESPECTIVE POSITIONS REGARDING 1975-76 AND REPORT FROM UK AND FRG MEMBERS OF EXECUTIVE BOARD WORKING GROUP (OTHERS ARE ALGERIA, CZECHOSLOVAKIA, FRG, MEXICO, ZAMBIA UNDER JAMAICAN CHAIRMANSHIP) ON LATTER'S PROGRESS IN ANALYSIS 18 C/5 BUDGET PROPOSED BY SECRETARIAT AND LIKELY SUBSTANCE OF WORKING GROUP CONSENSUS PROPOSAL.

2. MEETING STRIKINGLY CONFIRMED PERMDEL APPREHENSIONS REPORTED REFTEL (RE SEPTEMBER 18 GEREVA GROUP MEETING) THAT, APART FROM TENUOUS EXCEPTION CF FRG, NONE OF GROUP WILLING TO SUPPORT US IN EFFORTS NOW OR AT GENERAL CONFERENCE TO HOLD BUDGET AT \$155 MILLION. INDEED NONE OF GENEVA GROUP, INCLUDING FRG, WILLING TO BACK TACTICAL POSITION OF BIG-DONOR SOLIDARITY ON ECONOMY ISSUE, E.G., PERMDEL STRONG SUGGESTION OF JOINT DRAFT RESOLUTION CALLING FOR SUBSTANTIAL CUTS IN ADMINISTRATIVE EXPENSES, MUCH LESS ANY FORMAL PROPOSAL OF \$155 MILLION LIMIT. UK MOST NOTABLY UNWILLING TO BACK US AND IN FACT VERY TACTFULLY BUT REPEATEDLY URDERMINED AND ISOLATED US POSITION BY CAUTIONING OTHERS AGAINST "CONFRONTATION" WITH LDC'S WHENEVER MEMBERS APPEARED INCLINED TO ACCEPT VARIOUS PERMDEL TALKING POINTS IN ADVOCACY HARD-NOSED ECONOMY STANCE.

3. EXCEPT FOR FRG, GENEVA GROUP MEMBERS UNWILLING TO EXTEND SUPPORT DESPITE PERMREP AND DELOFF REITERATION OF \$155 MILLION CEILING AS MOST FORTHCOMING US POSITION POSSIBLE IN VIEW DOMESTIC BELT-TIGHTENING, COMMONLY ACKNOWLEDGED CRITICISM OF UNESCO MANAGEMENT AND STRESS LIMITED OFFICIAL USE

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UPON GRAVE CONCERN OF US OVER CONGRESSIONAL PROSPECT OF BUDGET IN EXCESS OF \$155 MILLION.

4. INSTEAD, GENEVA GROUP CONSENSUS SEEMED TO HAVE FIRMED UP FURTHER SINCE LAST MEETING (REFTEL) THAT \$160-165 MILLION WAS LIKELY TO BE BEST POSSIBLE COMPROMISE OBTAINABLE IN VIEW LDC VOTING STRENGTH. HOWEVER, INDICATIVE OF DISORDER WROUGHT BY DOLLAR FLUCTUATION AND

ESPECIALLY ROCKETING INFLATION IN FRANCE, PLUS EXPENSES OF CHINESE-ARABIC LANGUAGE IMPLEMENTATION AND STATUTORY SALARY INCREASES, GENEVA GROUP MEMBERS AND SECRETARIAT UNABLE TO GET PRECISE FIX ON JUST HOW MUCH BUDGET WOULD BE EVEN IF 18 C/5 PROPOSAL WENT UNCHALLENGED.

5. DEPARTMENT WILL RECALL THAT 18 C/5 BUDGET OF \$155 MILLION SUBMITTED TO SPRING EXECUTIVE BOARD WAS PREDICATED DOLLAR EXCHANGE RATE OF 5.10 FF AND ANNUAL INFLATIONARY RATE OF 8 PER CENT.

6. IN JULY SECRETARIAT FORMALLY NOTIFIED MEMBER STATES (DOCUMENT 18 C/5 REVISION I) THAT ON BASIS ACTUAL 4.90 FF EXCHANGE RATE AND ESPECIALLY INCREASE TO 12 PER CENT INFLATIONARY RATE, THE 155 MILLION FIGURE HAD RISEN TO \$169,644,000.

7. HOWEVER DOLLAR EXCHANGE RATE IN SEPTEMBER FIXED BY UNESCO AT 4.80 FF; A DECREASE WHICH, IF PERSISTING INTO OCTOBER WHEN GENERAL CONFERENCE MEETS, WILL MEAN ANOTHER \$2.8 MILLION ADD-ON.

8. FURTHER, THERE IS ESTIMATED \$900 THOUSAND ENTAILED BY ARABIC-CHINESE LANGUAGE IMPLEMENTATION IN 1975-76 AND ANOTHER \$950 THOUSAND ENTAILED BY TWO GENERAL SERVICES SALARY INCREASES OF FOUR PERCENT EACH; ONE OF WHICH UNFORESEEN BUT STATUTORY LINKED TO INCREASE IN COST-OF-LIVING INDEX.

9. IN SUM, DUE FACTORS CITED ABOVE, THE \$155 MILLION 18 C/5 BUDGET ORIGINALLY FORMULATED IN FEBRUARY 1974 IS NOW CALCULATED AT ABOUT \$174.3MILLION.
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10. WORKING GROUP - SECRETARIAT CONSULTATIONS HAVE EXPLORED FOLLOWING POSSIBLE DEVICES WHICH SEPARATELY OR IN COMBINATION COULD BRING DOWN THIS FIGURE BY A FEW MILLIONS:

- A) REDUCTION OF 5.9 PER CENT GROWTH RATE PREMISED IN 18 C/5 TO 3 PER CENT OR 2 PER CENT.
- B) PEG BUDGET ARTIFICIALLY TO 4.90 FF BUT PROVIDE CUSHION AGAINST EFFECTS OF SIGNIFICANTLY LOWER RATE BY CHANGING FINANCIAL REGULATIONS TOPERMIT DG TO SUBMIT SUPPLEMENTARY ESTIMATES OF UP TO 5 PER CENT OF BUDGET. CURRENT REGULATIONS LIMIT SUCH SUPPLEMENTS TO 2.5 PER CNT.

11. EXECUTIVE BOARD WORKING CROUP BEGAN SEPT 19 ON SERIES

OF MEETINGS, OUTSIDE OF BOARD SESSIONS, WITH DIRECTOR GENERAL MAHEU AND ADG'S OF SECTORS. PREDICTABLY NONE CONCEDED ANY AREAS OF ECONOMIES. NEVERTHELESS, PURSUING POSSIBILITIES CITED IN PARA 10, WORKING GROUP HOPES TO FORMULATE CONSENSUS PROPOSAL BY SEPTEMBER 27 WHICH WILL BE DISCUSSED WITH DG ON SEPTEMBER 30 OR OCT 1 WHEN HE HAS RETURNED FROM US PRIOR TO PRESENTATION TO EXECUTIVE BOARD PLENARY SESSION.

12. PERMREP WILL MEET PERSONALLY EARLY NEXT WEEK WITH ALGERIAN PERMREP (PRESIDENT OF UNESCO "GROUP OF 77"), TOGOLESE PERMREP (PRESIDENT OF "77" AFRICAN GROUP) AND SENEGALESE PERMREP TO IMPRESS UPON THEM FURTHER US DETERMINATION TO HOLD BUDGET TO \$155 MILLION AND ASK THEIR SUPPORT. HOWEVER LATTER ARE CERTAIN TO REJECT FIGURE AT OR EVEN SLIGHTLY ABOVE \$155 MILLION. PERMREP HAS MET WITH DEPUTY DG FOBES AND IMPRESSED UPON HIM SERIOUSNESS OF US POSITION.

COMMENT: PERMDEL CAN ASSURE DEPARTMENT THAT US INSISTENCE ON \$155 MILLION HAS BEEN CONVEYED EMPHATICALLY TO KEP MEMBERS OF REGIONAL GROUPS, AS WELL AS M'BOW, BY PERMREP AND DELOFFS.

HOWEVER PLAIN IF PAINFUL FACTS ARE THAT US HAS NO SUPPORT FROM ANY NON-COMMUNIST BIG DONORS, EXCEPTING TENTATIVE FRG BACKING, MUCH LESS ANY SUPPORT FROM LDC'S. LIMITED OFFICIAL USE

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INDEED, AFRICANS SEEM PARTICULARLY ANXIOUS TO PRESERVE BIG BUDGET THAT M'BOW WILL IMPLEMENT AS NEW DG. GENEVA GROUP SEES US POSITION AS TOO INFLEXIBLE IN FACE OF INFLATION FACTORS AND NOTE THAT THEIR ASSESSMENTS GOING UP AS US PERCENTAGE GOES DOWN. SOVIETS HAVE EXPRESSED SAME CONCERNS AS US BUT NOTABLY CANNOT OR REFUSE TO TELL PERMDEL WHAT THEIR LIMIT IS AND ESPECIALLY THAT THEY WOULD VOTE "NO" AT GENERAL CONFERENCE.

DEPT REQUESTED CONSIDER WHETHER ANY FLEXIBILITY US POSITION. FLEXIBILITY, IF AT ALL POSSIBLE, AT THIS POINT WOULD PROBABLY YIELD MORE IN TERMS KEEPING ULTIMATE ACTUAL BUDGET AS LOW AS POSSIBLE--PERHAPS \$165 MILLION--BY VIRTUE RESTRAINING INFLUENCE ON EXECUTIVE BOARD'S BUDGET PROPOSAL FOR GEN CONF ACTION IN OCTOBER.

EVER PRESENT FACTOR IS QUESTION OF US RELATIONSHIP WITH M'BOW AND OVERALL POLITICAL CLIMATE OF 18TH GENERAL CONFERENCE WHICH WILL BE AFFECTED BY US STANCE.

ANOTHER MEETING GENEVA GROUP SCHEDULED FRIDAY AFTERNOON SEPT 27 DEPENDING ON PROGRESS WORKING GROUP.

ITEM WILL LIKELY COME TO PLENARY SOMETIME TOWARD END
WEEK OF OCTOBER 1ST.
IRWIN

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